

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
Docket No. 1999-377-C

POSTED
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United Telephone Company of the Carolinas)
)
 v.)
)
 BellSouth Telecommunications, Inc.)
 _____)

S. C. PUBLIC SERVICE COMMISSION
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ANSWER OF BELL SOUTH TO COMPLAINT
AND PETITION FOR DECLARATORY ORDER

S. C. PUBLIC SERVICE COMMISSION
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UTILITIES DEPARTMENT

COMES NOW, BellSouth Telecommunications, Inc. ("BellSouth") through counsel, and hereby answers the Complaint and Petition for Declaratory Order ("Complaint") filed by United Telephone Company of the Carolinas ("United"). In support of its answer, BellSouth states as follows:

INTRODUCTION

A. PROCEDURAL HISTORY

By Order dated November 2, 1992, in Dockets 92-182-C, 92-183-C and 92-200-C, the South Carolina Public Service Commission ("Commission") established an industry task force to address issues surrounding the implementation of 10XXX intraLATA competition. Among the issues to be resolved by the industry task force was the depooling of the intraLATA toll pool. The mission of the task force was to "bring a

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consensus to the Commission on how best to provide 10XXX on an intraLATA basis so that the contribution level to local basic service rates can be maintained . . . “¹

Pursuant to the industry task force’s work, four entities, BellSouth, GTE South, Inc. and Contel of South Carolina, Inc. d/b/a GTE South Carolina, the South Carolina Telephone Coalition, and United Telephone of the Carolinas, Inc. (“United”), agreed to and executed a document entitled “South Carolina IntraLATA Depooling Plan” (hereinafter referred to as the “Depooling Plan”).² The purpose of the Depooling Plan was to set forth general principles by which participating local exchange carriers (“LECs”) would eliminate the-then current intraLATA toll pooling arrangement and be compensated for intraLATA traffic in a 10XXX environment, if so ordered by the Commission. The Depooling Plan was executed on March 12, 1993.

Simultaneously, the same four entities referenced above executed a document entitled “Area Calling Plan Principles” (hereinafter referred to as the “ACP Principles”).³ The ACP Principles were adopted in conjunction with the Depooling Plan, and it was agreed that if the Depooling Plan was not implemented, then neither would the ACP Principles. The ACP Principles, not the Depooling Plan, set forth how the parties to the agreement would treat area calling plan traffic.

By Order 93-462 dated June 3, 1993, the Commission approved a May 10, 1993, Stipulation and Agreement presented by the industry task force which included the Depooling Plan referenced above.⁴

¹ See Order No. 92-919, November 2, 1992, pp. 6-7.

² Attached hereto as Exhibit 1.

³ Attached hereto as Exhibit 2.

⁴ See Exhibit 1.

Later still, on or about June 21, 1993, BellSouth, United and GTE South Incorporated/Contel of South Carolina, Inc., executed another document entitled "South Carolina Depooling Guidelines" (hereinafter referred to as the "Depooling Guidelines").⁵ The objective of the Depooling Guidelines was to set forth how intraLATA toll providers were to compensate one another for the exchange of intraLATA traffic in a depooled environment. The Depooling Guidelines were not presented to or approved by the Commission. BellSouth believed, and continues to believe that the Depooling Guidelines only operated to further explain the Depooling Plan and ACP Principles. However, the Depooling Guidelines did not serve to change the concepts contained in the Depooling Plan or ACP Principles.

B. BACKGROUND

In 1992, the commission was receiving a flood of requests from communities around the state for expanded local calling or Expanded Area Service (EAS). In addition, the interexchange carriers were requesting that the Commission allow 10XXX intraLATA toll competition. The Commission directed that the LECs develop an alternative arrangement in order to relieve these demands. It is against this backdrop that the Depooling Plan and the ACP Principles were negotiated by the parties.

To address the increasing EAS requests and 10XXX intraLATA toll competition issues, the Commission ordered a task force to be formed. Initial meetings were held at the commission involving the LECs, the Commission Staff, and the interexchange carriers. It was determined that IntraLATA competition could not be accomplished in a

⁵ Attached hereto as Exhibit 3.

toll-pooling environment. Thus, the first step had to be a change in the toll revenue sharing or revenue pooling arrangement among the LECs.

All the LECs were formed into a separate committee to develop a depooling plan. After extensive meetings with numerous compromises hammered out, a basic depooling plan was developed.

Coincident with these depooling meetings, a new Area Calling concept was being introduced in neighboring states. Under this concept a customer had the option of selecting a plan to expand his/her local calling area. The plans might either have a flat rate monthly charge or could include a measured per minute rate. Since the Area Calling concept offered an ideal solution to the goal of reducing the number of EAS requests, the LECs agreed that this approach would be beneficial to South Carolina customers. However, to implement such a concept required the parties to agree on the manner to settle payments between companies for the handling of ACP traffic. Since the depooling committee was dealing with settlement of intraLATA toll traffic, it was agreed to incorporate negotiations regarding area calling plan traffic into the discussions. Ultimately, a set of Area Calling Plan Principles were developed and agreed to by all the LECs.

In the depooling discussions, two concepts were considered. Under the first concept, all companies would be "Toll providers". The companies would each stand alone and provide toll services to their specific customers. All companies would pay each other terminating intrastate access for calls terminated within their territory.

The other concept was that BellSouth, as the largest LEC and former toll pool administrator, would provide the toll service to the end-users of the other LEC's.

BellSouth would receive the revenue from each toll call and in turn pay both originating and terminating access to the other LECs who would be known as "Access Providers". The small local exchange companies had numerous concerns about the financial impact of being a Toll Provider. The small LECs were very insistent that these changes, at least initially, be revenue neutral. Ultimately, a compromise was reached where BellSouth, Sprint/United, and GTE would be Toll Providers and all other companies would be Access Providers with the option to become a Toll Provider.

The issue of inter-company payments for calls under the Area Calling Plan concept was critical to establishing the price the customers would pay and to determining whether a plan could be offered at all. Before a LEC could offer a plan, it had to have as much certainty as possible about the associated costs, especially inter-company payments.

Under the flat rate plan, a customer would pay an increased monthly charge for unlimited calling to the expanded area, much like the EAS plans being implemented at the time. However, rather than an EAS point-to-point arrangement, the customer would be able to call anywhere within a defined radius. (Generally this was a 40-mile radius, but in BellSouth and other companies it became LATA-wide.) The customer's flat rate price would be based upon an average calling volume. However, there was a concern that the small local exchange companies in particular could not afford to pay a per minute termination charge to another LEC for those customers who made much more than the average number of calls. Therefore, some small companies, including Home Telephone, proposed an arrangement similar to EAS where there is no settlement between companies for such calls. Not all companies agreed to this approach. A compromise was reached

where an originating company that had a measured ACP would pay a per-minute rate to the terminating company for ACP traffic. On the other hand, if both companies offered an ACP, then no payments would be made by either company for any flat rate usage. Through negotiations, a surrogate per-minute rate was established as a composite of the traffic sensitive intrastate access rate, but excluded the Carrier Common Line (CCL) element. If neither company involved in a call offered an Area Calling Plan, then the settlements were considered normal intrastate access.

During the negotiations, the agreements concerning Area Calling Plans were always discussed in the context of “company to company,” not by route or between limited “from and to” locations. This position is supported by the attached affidavits of Mr. H. Keith Oliver of Home Telephone Company (“Home”)⁶ who represented the South Carolina Telephone Coalition in the negotiations, and Mr. James C. Meade, who was the negotiator for the TDS companies (“Williston, Norway, McClellanville, and St. Stephen Telephone Companies” or “TDS”)⁷. Any arrangement other than “company to company” could have otherwise put both Home and TDS at a serious disadvantage.

For example, if BellSouth had offered an Area Calling Plan to limited locations in South Carolina, perhaps from Charleston to Edisto Island, but not from Charleston to McClellanville, customers of McClellanville Telephone Co. would have learned of BellSouth’s ACP and then demanded a similar service from McClellanville Telephone. Yet the customers of McClellanville Telephone would predominately be calling into Charleston. Under this scenario, McClellanville Telephone would have had to pay BellSouth the surrogate terminating access rate for a high volume of calls because

⁶ Attached hereto as Exhibit 4.

⁷ Attached hereto as Exhibit 5.

BellSouth did not offer a corresponding ACP from Charleston to McClellanville. Because of this possibility, the Principles were clearly written to be on a *company*, not a route specific, basis.

In his Affidavit, Mr. Meade describes the concerns that he had at the time of the negotiations because of problems arising in Alabama where no Area Calling Principles had been negotiated. The experience in Alabama clearly pointed to a need for an agreement based upon “company to company”, not “route to route”.

C. ANALYSIS

Throughout the negotiations of the industry ACP Principles, it was emphasized that the structure of individual LEC area calling plans would be flexible, subject to the needs of each individual LEC. The adoption of an area calling plan, however, made the adopting LEC subject to the ACP Principles. In essence, the ACP Principles provide that when two LECs implement area calling plans, the ACP measured usage would be compensated using a local usage surrogate rate, but for flat-rated ACP minutes, no compensation is to be made.⁸ Specifically, the ACP Principles state:

“When two LECs implement ACPs between the two companies, terminating access will be paid except as indicated below. The rates for each company will represent the total company composite of the respective company’s switched access traffic sensitive rates. For those ACP minutes that are offered to a customer on an optional flat rate basis (including capped usage) no settlement will be applicable, consistent with current procedures.”⁹ (emphasis added.)

United’s reliance on the “from and to” verbiage cited in paragraph 13 of the Depooling Guidelines is misleading. United maintains that “from and to” means exchange to exchange. Such an interpretation is inconsistent with the concepts outlined

⁸ See Exhibit 2, attached hereto, p. 2.

⁹ See Exhibit 2.

in the ACP Principles and the intent of the parties who were negotiating at that time.¹⁰ The ACP Principles clearly state that settlements are company to company, not route to route.

United's position in the instant Complaint is inconsistent with its previous position in this matter as well as representations made to BellSouth. The ACP Principles have been in place since *March 1993*. Both BellSouth and United have been offering area calling plans since *September 1996*. Yet United raised no issue until *October 1998*. In fact, United's own bills to BellSouth support the position that compensation was based solely on company to company calculations, not its position in the instant Complaint that compensation is on a route to route basis. Specifically, United's bill dated February 25, 1997, is the last bill that United rendered to BellSouth for Floor Level CCL.¹¹ The bill included charges for the period January to September 1996. United's first ACP Plan was implemented on September 29, 1996, and consistent with United's position at that time and BellSouth's consistent position, no charges for Floor Level CCL are reflected after September 1996. United's bill dated March 14, 1997 also clearly states that no CCL charges are due when two LECs implement ACPs between the companies.¹²

It has been BellSouth's consistent position that the Area Calling Principles were established upon a company to company basis not route to route. Mr. Meade and other parties involved in the negotiations of these Principles clearly had the same understanding. At no time did BellSouth negotiate any change in this concept. The guidelines developed by GTE were never seen to be a change in concepts. They merely

¹⁰ See Exhibits 4 and 5.

¹¹ Attached hereto as Exhibit 6.

¹² Attached hereto as Exhibit 7.

provided more details of the mechanics of the process. The language regarding “to and from location” in the section dealing with CCL was not deemed by BellSouth to change the concept spelled on in the principles regarding company to company. Again, BellSouth never contemplated that United would elect to only offer Area Calling to a privileged few customers. BellSouth offered the plan to all its customers and believed United would do likewise. Finally, United’s own documents and actions support the original understanding regarding the concept of Company to Company settlements. Their subsequent change in position does not warrant the requested relief.

For these reasons, the Commission should deny the relief requested by United in its Complaint.

RESPONSE TO SPECIFIC ALLEGATIONS

1. BellSouth is without knowledge, and therefore neither admits nor denies the allegations in paragraph 1 of the Complaint.
2. BellSouth admits the allegations in paragraph 2 of the Complaint.
3. As the allegations contained in paragraph 3 are informational, no response is required.
4. BellSouth admits the allegations in paragraph 4 of the Complaint.
5. BellSouth admits the allegations in paragraph 5 of the Complaint.
6. BellSouth admits the allegations in paragraph 6 of the Complaint; however, BellSouth avers that other agreements were also reached regarding intraLATA toll depooling and area calling plans which are central to the issues herein. Those

agreements include the South Carolina IntraLATA Depooling Plan¹³ and the Area Calling Plan Principles.¹⁴

7. BellSouth admits that the Commission's Order 92-919, dated November 2, 1992, provided for the creation of an industry task force to address a variety of issues raised by 10XXX competition. The Order, including the portion quoted in paragraph 7, speaks for itself.

8. BellSouth admits the allegations in paragraph 8 of the Complaint.

9. BellSouth admits the allegations in paragraph 9 of the Complaint.

10. The South Carolina IntraLATA Depooling Plan speaks for itself. BellSouth admits that the portions stated in paragraph 10 are quoted accurately, with emphasis added.

11. BellSouth denies the allegations in paragraph 11, except to admit that Section 13 of the Depooling Guidelines is set forth accurately.

12. BellSouth admits the allegations in paragraph 12 of the Complaint.

13. BellSouth denies the allegations in paragraph 13 of the Complaint.

14. BellSouth denies the allegations in paragraph 14 of the Complaint.

15. BellSouth admits that United has rendered bills to BellSouth for ACP terminating traffic. BellSouth admits that it has refused to pay such bills. BellSouth denies the remaining allegations in paragraph 15. BellSouth alleges that the bills attached to the Complaint are incomplete in that certain bills which support BellSouth's position are not attached to the Complaint, and are attached hereto.¹⁵

¹³ See Exhibit 1.

¹⁴ See Exhibit 2.

¹⁵ See Exhibits 6 and 7.

16. BellSouth denies the allegations in paragraph 16 of the Complaint. BellSouth alleges that all documents necessary for any relevant calculation that have been solely within BellSouth's control have been previously provided to United.

17. BellSouth denies the allegations in paragraph 17 of the Complaint.

18. BellSouth denies the allegations in paragraph 18 of the Complaint. BellSouth alleges that all documents necessary for any relevant calculation that have been solely within BellSouth's control have been previously provided to United.

19. To the extent that a response is required, BellSouth denies that United is entitled to any of the relief it seeks in the "Request for Relief," or elsewhere, in the Complaint.

WHEREFORE, BellSouth respectfully requests that the Commission deny the relief sought by United, dismiss the Complaint, and grant any other relief deemed appropriate by the Commission.

Respectfully submitted,



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South Carolina IntraLATA DEPOOLING PLAN

The following South Carolina IntraLATA Depooling Plan ("the Plan") is submitted by the undersigned to the IntraLATA Competition Task Force organized under the auspices of the South Carolina Public Service Commission pursuant to PSC Order No. 92-919 in PSC Docket Nos. 92-182-C; 92-183-C and 92-200-C (the "Order"). The Purpose of the Plan is to set forth the general principles by which participating local exchange carriers ("LECs") in South Carolina will eliminate the current intraLATA toll pooling arrangement (the "intraLATA toll pool") and be compensated for intraLATA traffic in a limited competitive environment if so ordered by the Commission. The Plan is summarized as follows:

1. The depooling plan is intended to be revenue neutral for all South Carolina Coalition Members that are access providers and consistent with Attachment I.
2. Southern Bell, General Telephone (GTE) and United will act as toll providers and as such will establish toll rates and be responsible for compensating one another for all intraLATA traffic terminated in their respective areas.

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3. All other pooling local exchange carriers (LECs) have the option to be either a toll provider or an access provider. If a LEC becomes a toll provider, they will be responsible for establishing toll rates applicable to their subscribers and, in accordance with Paragraph 2 above, must pay terminating access to other toll providers. If a local exchange carrier opts to be an access provider they will charge their subscribers the same intraLATA toll rates that are applicable to the applicable Toll Provider's subscribers; report the toll revenue to the Toll Provider; and in turn, bill the Toll Provider for access, including billing and collection and operator services, if applicable. Netting of toll revenue and carrier billing is contemplated.
4. Independent to Independent (I-I) intraLATA toll traffic for access providers will be treated in a similar manner as Independent-Bell (I-B) traffic, i.e., toll revenues will be reported to the Toll Provider and the Toll Provider will pay access for this traffic. Toll traffic between toll providers will be treated as provided for in Paragraph 2 above.
5. While it is anticipated that Southern Bell will be the toll provider for all access providers, an access provider may become an access provider of a toll provider other than Southern Bell, if that toll provider agrees to that arrangement. Should another Toll Provider be chosen by the

Access Provider, the toll rates of the chosen Toll Provider will be used.

6. Access rates for toll providers and access providers will be consistent with each Company's intrastate/interLATA access charge rates, except as provided for in paragraph 7 following.
7. A residual rate element applicable to both intraLATA and interLATA local switching access minutes will be assessed by access providers to all toll providers and interexchange carriers (IXCs) to facilitate revenue neutrality in accordance with Attachment I, the Development of Residual Rate Element.
8. Billing and collection services currently being provided will continue to be provided by access providers to the toll provider until such time as presubscribed 1+, 0+, and 0-intraLATA equal access is authorized by the Commission and is implemented. During the term of this agreement, billing and collection rates should not exceed the level of rates currently approved by the Commission.
9. An access provider currently providing intraLATA operator services (Interexchange-Network Services) for themselves or under contract for other LECs will continue for the period contemplated by this Plan. The rates charged for this service should be fair and equitable and will not exceed the end user

tariff charges. Operator services, including 411 and 555 directory assistance, will be handled under separate contract.

10. Uncollectible revenues for access providers will be handled under the same guidelines as existed prior to depooling. For those companies that historically settled on a cost basis for intraLATA settlements, uncollectibles will be limited to 1-1/2% of billed intraLATA toll revenue (on an annual basis). For those companies that historically settled on an average schedule basis for intraLATA settlements, the average schedule formulas included a factor for uncollectibles and therefore under the depooling plan uncollectibles will automatically be included as a cost item (see Attachment 1, paragraph 1).

In defining uncollectibles for the purpose of the 1-1/2% limit, and for historically average schedule companies, the following items are excluded as uncollectibles and therefore are directly reimbursable for both cost and average schedule companies: unbillables, documented fraud, "old toll" - defined as more than 90 days old, intraLATA 900 revenues and out-of-state intraLATA revenues.

11. Access providers will be precluded from diverting their 1+ and/or 0+ intraLATA toll traffic currently being passed to Southern Bell to a reseller or other interexchange carrier. This provision is not intended to preclude an access provider

from initiating an intraLATA network reconfiguration so long as it will not result in additional cost to the toll provider.

12. All LECs agree to provide a duplicate record of all 1+, 0+ and 0- originating intraLATA traffic to a centralized point to accommodate this Plan.
13. At the outset, consistent with interLATA FGC carrier access billing procedures as provided for in NECA Tariff No. 5, access providers will establish intraLATA terminating usage based on a terminating-to-originating (T-O) ratio that is consistent with the manner in which the base period demand usage was established for rate development. The ultimate objective is to periodically update the T-O ratios based on actual data.
14. If 1+, 0+, and 0- presubscribed intraLATA equal access competition is implemented, the primary carrier plan will be terminated, however, with mutual consent, certain of the procedures contained herein may be continued.
15. After initiation of Depooling Plan the respective companies will still be allowed to change from being an access provider to being a toll provider or vice versa. Such change, however, will be limited to one change each way for a total of two changes and not more than one change in any twelve month

period. An example would be, if a LEC chose to be an access provider upon initiation of the Depooling Plan, that LEC could subsequently choose to change to being a toll provider twelve months later and, twelve months thereafter could change back to becoming an access provider.

ATTACHMENT I

Development of Residual Access Rate

1. Base Year Intrastate IntraLATA Settlements (toll and private line). Settlement level for cost based companies is defined as intraLATA allocation factors applicable to 1991 and investment, expenses and taxes for calendar 1992. Settlements for average schedule companies is defined as actual intraLATA settlements for calendar year 1992.
2. Intrastate IntraLATA Carrier Common Line Revenue (Base year demand information multiplied by company's Intrastate InterLATA CCL rates.)
3. Intrastate IntraLATA Switched Access Revenues (Base year demand information multiplied by company's Intrastate InterLATA switched access rates.)
4. Intrastate IntraLATA Special Access Revenues (Base year demand information multiplied by company's Intrastate InterLATA special access rates.)
5. Intrastate IntraLATA Billing and Collection Revenues (Base year demand information multiplied by Company's intrastate interLATA billing and collection rates.)

6. Intrastate IntraLATA Interexchange (Network) revenues for base period.
7. Residual Access Revenue [paragraph 1 - (paragraphs 2 + 3 + 4 + 5 + 6)].
8. Total Intrastate IntraLATA and InterLATA Local Switching Access Minutes for Base Year. (Includes originating and terminating demand for FGA, FGB, FGC, and FGD or equivalent services.)
9. Residual Access Rate (paragraph 7 ÷ by paragraph 8) which will be applicable to both intraLATA and interLATA local switching access minutes for the life of the Plan.

BELLSOUTH TELECOMMUNICATIONS,
INC.

By: W. J. Moody

SOUTH CAROLINA TELEPHONE
COALITION

By: A. Southworth

GTE SOUTH, INC. AND
CONTEL OF SOUTH CAROLINA, INC.
d/b/a GTE South Carolina

By: Stan Beyer

UNITED TELEPHONE OF THE
CAROLINAS, Inc.

By: L. Steve Powell

Columbia, SC
March 12, 1993

AREA CALLING PLAN PRINCIPLES

The following Area Calling Plan ("ACP") Principles ("ACP Principles") are agreed upon by the undersigned and are adopted in conjunction with the South Carolina IntraLATA Depooling Plan ("the Plan") dated March 12, 1993, or any amended version thereof. Should the Plan, or an amended version thereof, not be finally implemented, the ACP principles contained herein also will not be implemented. The ACP principles are summarized as follows:

1. If LECs implement an Area Calling Plan ("ACP") or EAS Plan (offered under a Company's local tariff or any tariff not concurred in by the toll provider) the traffic will no longer be subject to provisions of this Plan. It is agreed that if one company implements an ACP and another LEC does not, then the company that implements the ACP will pay that LEC for terminating ACP service based on a total company composite of the LEC's switched access traffic sensitive rates.

Additionally, Southern Bell also agrees to provide a "floor level" of terminating CCL access revenues, applicable to ACP traffic originated in their exchanges, to Coalition Members for the term of this Agreement. The "floor level" is defined as the level of revenue from the base period as calculated in Attachment 1, paragraph 2.

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When LECs implement ACPs between the two companies, terminating access will be paid, except as indicated below. The rates for each company will represent the total company composite of the respective company's switched access traffic sensitive rates. For those ACP minutes that are offered to a customer on an optional flat rate basis (including capped usage) no settlement will be applicable, consistent with current procedures.

An intertoll switching rate element of \$.004 per access minute will be applicable in those instances when an intermediate company that is different than the originating or terminating company is involved in an ACP call.

2. A mechanism to protect all Coalition members against the potential of abnormally high losses that might result from certain members implementing an ACP in response to another ACP is determined to be necessary.

Any Coalition member may request relief from the other parties hereto by demonstrating an abnormally high loss and the relief sought. The parties hereto shall then determine, by majority vote, the degree of any relief that should be granted to the requesting Coalition member. Any relief granted shall be apportioned to the other parties hereto by way of number of access lines.

It is not the intent to define what constitutes an abnormally high loss; however, as an example, the parties agree that a local rate in excess of the equivalent Southern Bell rate will constitute an appropriate demonstration of need for relief.

3. All LECs agree to provide a duplicate record of all 1+, 0+ and 0- originating intraLATA traffic to a centralized point to accommodate the Plan and future ACP offerings.

Dated this 12th day of March 1993.

BELLSOUTH TELECOMMUNICATIONS,
INC.

By: *[Signature]*

SOUTH CAROLINA TELEPHONE
COALITION

By: *[Signature]*

GTE SOUTH, INC. AND
CONTEL OF SOUTH CAROLINA, INC.
d/b/a GTE South Carolina

By: *[Signature]*

UNITED TELEPHONE OF THE
CAROLINAS, Inc.

By: *[Signature]*

SOUTH CAROLINA
DEPOOLING GUIDELINES

The objective of this agreement is to set forth the guidelines under which the initial toll providers agree to compensate one another for interexchanged intraLATA traffic in a post Division of Revenue (DR) pool environment. The initial toll providers referenced in these guidelines refer only to GTE South Incorporated, Contel of South Carolina Inc., (hereinafter collectively referred to as GTE), Bell South Telecommunications Incorporated, (hereinafter referred to as Bell or Southern Bell) and United Telephone Company of the Carolinas, Inc. (hereinafter referred to as United). If a company other than Bell, United or GTE becomes a toll provider, they will be referred to as "other or non-initial toll providers.

The guidelines contained within this agreement are intended to be consistent with the limited intraLATA competition as contemplated by the South Carolina Public Service Commission in the Order in combined Docket Nos. 92-182-C, 92-183-C, and 92-200-C. The intrastate products defined within this agreement are those intraLATA products normally defined as toll (i.e. MTS, WATS, 800, Private Line) or that traffic which is currently defined as intraLATA toll which may in the future be converted to a local measured basis.

GTE, Bell and United agree that the following guidelines will be used by the initial toll providers when establishing the mechanism to exit the DR pool:

1. If GTE incurs a revenue loss due to depooling, then Bell and United agree that the initial revenue loss should not be immediately borne by GTE or its ratepayers. The revenue loss, calculated using 1992 as a base period, will be transitioned over a four year period beginning at the date of depooling. During the first year after depooling, GTE will receive from Bell and United 80% of the initial revenue loss, 60% in the second year, 40% in the third year, and 20% in the fourth year. After the fourth year, GTE will not receive a transition payment from the other two initial toll providers. The formula for the transition calculation is delineated in Attachment I to these guidelines.
2. GTE, Southern Bell, and United when acting as the initial toll providers will establish toll rates for their subscribers and will be responsible for

compensating each other as described herein. Southern Bell agrees that as the date of depooling, that GTE and United are entitled to file a copy of the then existing Bell intraLATA tariffs as their company specific intraLATA tariffs. United and GTE will be able to establish and use the same rates and structures for Message, OutWATS, InWATS, Operator, and Private Line type products until such time as the companies desire to establish different rates and structures.

3. The non-initial toll providing local exchange carriers (LECS) operating within South Carolina have the option to become toll providers also. The LECs that become toll providers shall operate under the same guidelines as delineated herein, except that only Bell and United will be responsible for paying GTE a transition amount.
4. GTE, Bell and United anticipate that the other non-toll providers (access providers) will initially use Southern Bell as their toll provider. The three initial toll providers agree that an access provider may become an access provider of a toll provider other than Southern Bell if the other toll provider agrees to such an arrangement. Should an access provider choose a non-Bell toll provider, the access provider must use the toll rates established by that toll provider.
5. The access rates that the toll providers use for compensating one another shall be consistent with their specific interLATA access rates except as provided in paragraph 6 (six) following.
6. GTE has established a flat rate per line structure and rate for Carrier Common Line (CCL) compensation from the interexchange carriers, and the carriers are billed based upon relative market share. The flat rate CCL structure will continue after depooling; however, the rate must be adjusted to reflect the changing market share calculation. GTE shall price the CCL recognizing both the applicable interLATA and intraLATA units. Attachment II to these guidelines will be the formula used by GTE to calculate the new CCL rate.
7. Southern Bell agrees to act as a central administrator for the compensation process used by GTE, Bell and United. The initial toll providers agree to submit usage records to Bell in order that Bell may administer the centralized system for both the toll providers and the access providers within the state.
8. The initial toll providers agree to compensate one another based upon an Originating Responsibility Plan

(ORP) basis. Under the ORP basis the toll providers will retain the end user billing amounts earned (i.e. Sent Paid and Sent Collect revenue) by their respective company and pay the toll provider that terminates the service access charges including CCL. Compensation for private line services will be based upon a multi-company, multi-bill arrangement for end user billing.

9. The initial toll providers may continue to provide operator services for themselves or the access providers, and the compensation for operator services will be covered under a separate contract. Any GTE revenue change as a result of the changes to operator contracts will be included in the transition calculation. The transition calculation will recognize the Horry Cooperative DA take-back when it occurs.
10. The initial toll providers agree that the billing and collection rates that may be charged to each other in order to pass earned revenue (i.e. sent collect) will not exceed Commission authorized rates.
11. The toll providers agree that until the advent of presubscribed 1+, 0+ and 0- competition, that the toll providers will not bypass one another in order to reach one another's end users.
12. The initial toll providers agree that with the exit from the DR pool, each company's specific revenue streams are important; therefore, the toll providers agree to implement mechanisms within 6 (six) months of depooling to compensate one another for miscellaneous revenue streams such as cellular traffic, local credit card calling, etc.
13. If the initial toll providers implement area calling (ACP) type plans wherein measured intercity calling is established under a company's local tariffs then the local calling plan traffic will not be subject to the toll traffic guidelines. It is agreed that if an ACP type plan is implemented, the following guidelines will apply:
 - Bell will continue to act as a centralized administrator for the ACP settlements and the initial toll providers agree to submit usage records in order that Bell can carry out the administration functions.
 - The initial toll providers agree that the terminating ACP traffic will still be subject to company specific access charges.

- The initial toll providers agree that the compensation for CCL on ACP type traffic is complex, and in order to achieve equity between the Companies, the "To and From" locations involved in the ACP must be reviewed in order to determine not only the amount but whether CCL compensation is appropriate. The initial toll providers agree that the following ACP CCL compensation guidelines are equitable:
- a. If only one of the toll providers offers an Area Calling Plan (ACP) and the "To" locations terminate on a different toll provider, it is agreed that the company that implements the ACP plan will pay the terminating toll provider for terminating ACP service based on the terminating company's switched access traffic sensitive rates.
 - b. Additionally, the toll provider which offers the ACP plan agrees to provide a "floor level" of terminating CCL access revenues, applicable to ACP traffic originated in their exchanges, to the terminating toll provider for the term of this Agreement. The "floor level" is defined as the level of intrastate intraLATA CCL revenue from the base period calculations.
 - c. If two toll providers offer an ACP type plan and the "From and To" locations both carry local traffic (the ACP traffic is bi-directional), then CCL compensation is not due either company for the ACP traffic. CCL compensation will still be due for remaining toll traffic on the From and To locations.
 - d. If ACP traffic is offered on a flat rate two way basis (flat rate EAS), then a usage settlement will not be made.
14. The toll providers agree that terminating compensation-- paid to one another should be based upon actual usage, except as may be modified for ACP traffic. The actual terminating usage will be calculated via records submitted to the administrator by each LEC in South Carolina.
15. If 1+, 0+ and 0- presubscribed intraLATA competition is implemented, the agreement is terminated. However, with mutual consent, certain of the procedures and guidelines contained herein may be continued.

16. The toll providers agree to compensate one another at the rate of \$.004 per minute for the use of tandem to tandem facilities. This compensation shall be referred to as network compensation.

CONCURRENCE:


Baird South Telecommunications, Inc.

United Telephone Company of the
Carolinas, Inc.


GTE South Incorporated/Contel of
South Carolina, Inc.

BEFORE THE
PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 98-377-C

In RE:)	
)	
United Telephone Company)	
Of the Carolinas)	
Complaint/Petitioner)	
)	AFFIDAVIT OF H.KEITH OLIVER
v.)	
)	
BellSouth Telecommunications,)	
Inc.)	
Defendant/Respondent)	
_____)	

1. My name is H. Keith Oliver.
2. I am currently employed as Vice President, Finance at Home Telephone Company, Inc., A Local Exchange Carrier (LEC) headquartered in Moncks Corner, S.C.
3. As a representative of the South Carolina Telephone Coalition, a group of the smaller LEC's operating in the state, I was closely involved with the development of the South Carolina IntraLATA Depooling Plan and the related Area Calling Plan Principles.
4. These two agreements were developed during a period

of significant industry change. Two factors were driving the need for this change:

- (a) The Interexchange Carriers ("IXC's") were requesting that the South Carolina Public Service Commission ("Commission") allow 10XXX IntraLATA toll competition; in effect opening South Carolina to IntraLATA competition.
 - (b) The Commission was receiving numerous requests from communities around the state for Expanded Local Calling or Expanded Area Service ("EAS").
5. To address these issues, the Commission ordered the formation of a task force. Initial meetings were held at the Commission involving, representatives from LEC's, the Commission staff, and IXC's.
6. The task force determined that IntraLATA competition could not be accomplished in a toll-pooling environment. The first step had to be a change in the toll revenue sharing or revenue pooling arrangement among the LEC's. The LEC's were asked to form a separate committee to develop a depooling plan. After extensive meetings the LEC'S hammered out numerous compromises which

allowed for the development of a basic depooling plan.

7. There were two depooling methodologies proposed during the depooling discussions:

(a) Under one, all companies would be "toll providers." They would stand alone and provide toll services to their customers. All companies would pay each other Intrastate access for calls terminated to other LEC's within the LATA. This methodology was referred to as the Originating Responsibility Plan (ORP)

(b) The other proposal was that BellSouth, as the largest LEC and former toll pool administrator, would provide the toll service to all end-users. BellSouth would receive the revenue from each toll call and, in turn, would pay both originating and terminating access to the other LEC's who would be known as "Access Providers." This methodology was termed the Primary Carrier Plan ("PCP").

8. The Coalition companies had numerous concerns about the financial impact of being a toll provider. The Coalition companies were insistent that any depooling plan or related agreements be

structured to be revenue neutral. This concern was addressed in the first principle of the South Carolina IntraLATA Depooling Plan, which was adopted by the Commission. Ultimately, compromises were reached where BellSouth, Sprint/United, and GTE would be required to act as toll providers and operate under ORP and all other LEC's would be access providers operating under PCP, with the option to elect to become a toll provider.

9. Coincident with these depooling meetings, new local calling plans were being introduced in neighboring states. Under these plans, a customer had the option of selecting a plan to expand his/her local calling area. These plans were known by the generic name of Area Calling Plans (ACP).
10. There were two basic plans being introduced, one consisted of a flat rate monthly fee with unlimited usage the other required a measured per minute rate. Under the flat rate plan, a customer would pay an increased monthly charge for unlimited calling to the expanded area, much like the EAS plans being implemented at the time. However, rather than an EAS point to point arrangement, the customer would be able to call anywhere within a defined radius. (Generally this

was a 40 miles radius, but in BellSouth and some other companies, it became LATA-wide.) Under a measured ACP, customers would pay a fixed per minute of use charge. Since the Area Calling Plan offered an ideal solution to the goal of reducing the number of EAS requests, the LEC's agreed that this approach would be beneficial to South Carolina residents.

11. In order to implement these ACP Plans an agreement had to be reached between the LEC's as to how they would compensate each other for the termination of this local traffic. The Coalition companies were insistent that any ACP settlement agreement be tied to the depooling process, as it would have an impact on the ability to maintain revenue neutrality at depooling.
12. Since the depooling committee was dealing with settlement of IntraLATA toll traffic, it was agreed to incorporate negotiations regarding this local traffic into the discussions.
13. For settlement purposes some companies proposed that LEC's should treat all ACP traffic like existing EAS traffic. This would mean the traffic would be handled as bill and keep with no

settlement between companies. Other companies felt all ACP traffic should be charged a termination fee similar to existing access charges.

14. Small companies in particular were concerned that they could not afford to pay per minute termination charges to another LEC if they could only charge a set flat fee to their customers.
15. A compromise was reached where an originating company that had a measured ACP would pay a per minute rate to the terminating company for ACP traffic. Through negotiations this per minute rate was established based on a composite of the traffic sensitive Intrastate access rate but excluding the Carrier Common Line ("CCL") element. It was agreed that for ACP minutes offered to customers on an optional flat rate basis, where both companies had ACP Plans, no settlement would apply. This was similar to existing EAS arrangements, in other words bill and keep settlement. For administrative purposes, this agreement was separated from the IntraLATA Depooling Plan into an independent document known as the Area Calling Plan Principles. It was agreed to and signed by all LEC's in the state.

7 of 9

16. It was my understanding and position that the agreements were on a company to company basis, not on a route by route basis or between limited "to and from" locations.
17. I was aware that such a route by route arrangement could have put Home Telephone at a serious disadvantage. For example, what if BellSouth had offered an Area Calling Plan to limited locations, perhaps from Mt. Pleasant to Summerville, but not from Charleston to Moncks Corner? Home's customers would have learned of BellSouth's ACP and then demanded a similar service from Home Telephone. Yet, the Home customers would predominantly be calling into Charleston. Under this scenario, Home would have had to pay BellSouth the surrogate terminating access rate for a high volume of calls because BellSouth did not offer an ACP from Charleston to Moncks Corner. Because of this possibility, I was very alert to the language of the negotiations in the final agreement. The principles were clearly intended to be on a company to company basis, not on a route specific basis.
18. I understand that United Telephone has based their complaint upon a document entitled "South Carolina

Depooling Guidelines". This agreement was not signed by the Coalition companies, it was not a part of the Area Calling Plan Principles, nor was it made a part of the South Carolina IntraLATA Depooling Plan approved by the Commission. The specific section referenced by United in their complaint appears to be limited to the issues of CCL revenues. In any event, the Depooling Guidelines should not be interpreted in such a manner as to contravene the overall intent of all incumbent local exchange carriers in South Carolina, as evidenced by the Area Calling Plan Principles and the Commission approved IntraLATA Depooling Plan.

19. It should be understood that the agreements reached in depooling, the IntraLATA Depooling Plan and the Area Calling Plan Principles, formed the basis for the subsequent agreements on IntraLATA competition. These agreements also formed the basis for many other regulatory compromises. These documents have been consistently applied for over six years by all LEC's in the state. To attempt to retroactively "re-interpret" these agreements at this late date will jeopardize Coalition subscribers ability to continue to receive flat rate unlimited ACP Calling Plans. The intent

behind the introduction of ACP's was to provide the broadest possible calling scope to as many South Carolina residents as possible, in order to ease the exploding statewide desire for EAS, not to limit its availability to the smallest possible group.

20. FURTHER AFFIANT SAYETH NOT.

H. Keith Oliver (L.S.)
H. Keith Oliver

SWORN TO AND SUBSCRIBED BEFORE ME

this 29th day of October, 1999.

Laura B. Beasley (L.S.)
Notary Public for South Carolina

My Commission Expires: 1-23-2000

BEFORE THE
PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 98-377-C

In RE:)	
)	
United Telephone Company)	
Of the Carolinas)	
Complaint/Petitioner)	
)	AFFIDAVIT OF JAMES C. MEADE
v.)	
)	
BellSouth Telecommunications,)	
Inc.)	
Defendant/Respondent)	
)	

1. My name is James C. Meade.
2. I am External Affairs Manager for TDS TELECOM responsible for Regulatory Matters in Alabama, Mississippi, North Carolina and South Carolina. The South Carolina responsibilities cover McClellanville, Norway, St. Stephen and Williston Telephone Companies.
3. I was involved in the development of the Area Calling Plans(ACP) Principles by participating in the discussions and negotiations regarding the Principles. I was also involved in developing Area Calling Plans for Alabama, Mississippi, North Carolina and South Carolina.

EXHIBIT 5

4. One of the primary purposes of Area Calling Plans was to address numerous Expanded Area Service ("EAS") requests throughout the state.
5. The Area Calling Plan Principles were negotiated and signed by all Local Exchange Companies ("LEC") to address settlements or termination payments between all LECs. Basically, the ACP Principles allowed companies to implement Area Calling Plans equal to or similar to the BellSouth plan. Without the ACP Principles, a small LEC would have to pay termination payments on all of the flat rate minutes that are billed to the customers at a flat rate amount. This could result in a negative cash flow or negative revenue impacts if the small LEC customers generate a high volume of minutes.
6. Without the ACP Principles, TDS Telecom most likely would not have been able to implement flat rate plans. It is only if most of TDS Telecom's traffic terminates to companies with an ACP Plan, that flat rate plans become a viable option. Further, TDS Telecom does not believe the Area Calling Principles were intended to be applied on a route by route basis. If this were the case, then each Company would have to know what the other companies' plans were for each route prior to pricing-out a plan. It would have been difficult to get all the companies together to reach an agreement that

all would implement a plan on specific routes at a specific date. We might still be waiting on this date and the EAS requests may have continued to increase if not for the Area Calling Plans being implemented.

7. Prior to South Carolina addressing Area Calling Plans, BellSouth in Alabama implemented an Area Calling Plan with Unlimited Calling for a flat fee with the approval of the Commission to address pending and future EAS requests throughout the state. The small LECs did not have Area Calling Plan Principles in Alabama. As a result, the small companies have been and continue to receive customer complaints in our areas for not offering plans similar to BellSouth's Area Calling Plan in Alabama, and independent telephone companies in Alabama have been implementing and improving Area Calling Plans ever since. This problem was discussed when we were negotiating the South Carolina ACP Principles to keep the small LECs from having the same problem as we did in Alabama. The ACP Principles enabled TDS to implement Area Calling Plans in all of its companies in South Carolina only because it was anticipated that other LECs would offer similar plans.

8. All of these considerations were taken into account by me during the South Carolina negotiations of ACP Principles. Because of these route-to-route problems in other states, I am very clear that the understanding at that time was based on "company-to-company" and not "route-to-route."
9. FURTHER AFFIANT SAYETH NOT.

James C Meade (L.S.)
James C. Meade

SWORN TO AND SUBSCRIBED BEFORE ME

this 28th day of October, 1999.

Kathy D. Acuff (L.S.)
Notary Public for Tennessee

My Commission Expires: My Commission Expires Nov. 20, 2000

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02/25/97
Page 2

Development of UTCC 1992 Intralata "Floor Level" CCL Revenue: Southern Bell

Total South Carolina Originating Intralata Access Minu 24,847,947
 Terminating/Originating Factor: July, 1994 ORP 1.020004
 Terminating Minutes 25,345,026
 Intralata Originating 800 Minutes 4,647,693 #
 Total Terminating MIS/WATS and Orig 800 Minutes 29,992,719
 Southern Bell Percent of Terminating Minutes 53.50%

Southern Bell Minutes of Use

UTCC Terminating CCL Rate

UTCC 1992 "Floor Level" CCL Revenue:

1995 ORP Revenue: Bell to United:
 Terminating CCL
 Originating 800
 Total

Southern Bell Percent
 Southern Bell's Share of CCL Revenues:

Floor Level Payment Calculation:

UTCC 1992 "Floor Level" CCL Revenue: Bell To United
 Southern Bell's Payment to United for 1995

Floor Level Term CCL Due United for 1995

1995 ORP Revenue: Bell to United: 1996

Terminating CCL
 Originating 800
 Total

Southern Bell Percent
 Southern Bell's Share of CCL Revenues:

Floor Level Payment Calculation: 1996

UTCC 1992 "Floor Level" CCL Revenue: Bell To United
 JAN-SEP, 1996

UTCC 1992 ORP Revenue: Bell To United
 JAN-SEP, 1996
 1996 ORP Revenue: Bell To United for JAN-SEP, 1996

1996 ORP Revenue: Bell To United for JAN-SEP, 1996

TOTAL UNITED 1992 Or-ig. Intralata Access Minutes:

(from Demand System - Martin Parker)

For Year 1992: MIS 27,240,111

Origins 320,440

800 4,651,930

Total 32,212,481

27,240,111

320,440

4,651,930

27,560,551

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Development of UTOC 1992 Intralata = Floor Level = CCL Revenue: Utilization

Total South Carolina Originating Intralata Access Min	24,847,967	TOTAL UNITED 1992 Orig. Intralata Access Minutes: (from Demand System - Martin Parker) For Year 1992: MTS OUTLATA 800	27,260,111 320,440 4,651,930 ----- 32,212,481
Terminating/Originating Factor: July, 1994 ORP	1.020004		27,260,111
Terminating Minutes	25,343,026		320,440
Intralata Originating 800 Minutes	4,647,693		4,651,930
Total Terminating MTS/MTS and Orig 800 Minutes	29,992,719	1994 United Orig. ORP 800: (Jan-Aug, 1994 Annualized) (18,776,934 / 8 = 2,347,116 * 12)	27,260,111
Utilization Percent of Terminating Minutes	0.478		28,165,401
Utilization Minutes of Use	140,965	United-United Usage: Form MP-3459 July, 1994 Annualized 3,065,220: (255,834 - 399 = 255,435 * 12)	
UTOC Terminating CCL Rate	0.092250	1994 Total Orig. Intralata Toll Minutes	31,230,621
UTOC 1992 w/Floor Level = CCL Revenue:	13,001	Percent Increase from 1992 to 1994	1.13
1995 ORP Revenue- Bell to United:			
Terminating CCL	1,685,345	Total 1992 United SC Orig Intralata Access 800:	27,540,551
Originating 800	41,146	Orig Intralata and Outlata (Demand System)	2,712,584
Total	1,726,511	Less United-United Intralata	-----
Southern Bell Percent	6.62%	Total SC Orig Intralata Access Minutes	24,847,967
Southern Bell's Share of CCL Revenue:	10,723		

Floor Level Payment Calculation:
 UTOC 1992 = Floor Level = CCL Revenue: Bell To United
 Southern Bell's Payment to United for 1995
 Floor Level Term CCL Due United for 1995

 1995 ORP Revenue- Bell to United: 1995
 Terminating CCL
 Originating 800
 Total
 Utilization Percent
 Utilization's Share of CCL Revenue:

Floor Level Payment Calculation: Jan-Sep, 1996
 UTOC 1992 = Floor Level = CCL Revenue: Bell To United
 So. Bell CCL Due United for Jan-Sep, 1996
 So. Bell Pay to United for Jan-Sep, 1996

 7,153,151

03/14/97

SOUTH CAROLINA AREA CALLING PLAN**TERMINATING COMPENSATION DUE****UNITED TELEPHONE CO. OF THE CAROLINAS****ORIGINATING COMPANY: SOUTHERN BELL**

MONTH/YEAR	COMPOSITE RATED MOU			COMPOSITE RATE	REVENUES
	USAGE SENS.	FLAT RATE	TOTAL MOU		
August 1996	142,458	2,177,400	2,319,858	0.015892	\$36,867.18
September 1996	141,236	2,187,866	2,329,102	0.015892	\$37,014.09
October 1996	144,508	0	144,508	0.015892	\$2,296.52
November 1996	124,545	0	124,545	0.015892	\$1,979.27
December 1996	140,057	0	140,057	0.015892	\$2,225.79
January 1997	✓ 151,276	0	151,276	0.015892	\$2,404.08
TOTAL	844,080	4,365,266	5,209,346		\$82,786.93

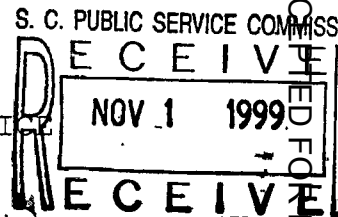
MONTH/YEAR	INTERTOLL MOU	INTERTOLL RATE	REVENUES
		0.004	\$0.00
		0.004	\$0.00
		0.004	\$0.00
	0	0.004	\$0.00

INTERTOLL REVENUES	\$0.00
--------------------	--------

TOTAL AREA CALLING PLAN COMPENSATION DUE UNITED	\$	\$2,786.93
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STATE OF SOUTH CAROLINA)
)
COUNTY OF RICHLAND)

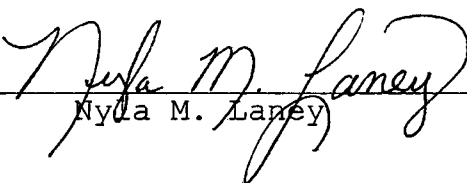
CERTIFICATE OF SERVICE



The undersigned, Nyla M. Laney, hereby certifies that she is employed by the Legal Department for BellSouth Telecommunications, Inc. ("BellSouth") and that she has caused the Answer of BellSouth To Complaint and Petition for Declaratory Order in Docket No. 1999-377-C to be served by placing such in the care and custody of the United States Postal Service, with first-class postage affixed thereto and addressed to the following this November 1, 1999:

Mitchell Willoughby, Esquire
Willoughby & Hoefer, P.A.
Post Office Box 8416
Columbia, South Carolina 29202-8416

F. David Butler, Esquire
General Counsel
S. C. Public Service Commission
Post Office Box 11649
Columbia, South Carolina 29211



Nyla M. Laney

ACCEPTED FOR PROCESSING - 2019 December 2 9:36 AM - SCPSC - 1999-377-C - Page 49 of 49